

## Health Insurance Reform

### DAILY MYTHBUSTER: Impact on Small Businesses

Health insurance reform opponents continue to spread myths about components of [America's Affordable Health Choices Act](#). For example, Republicans continue to claim that health insurance reform will undermine America's small businesses. However, the fact is that small businesses will benefit enormously from America's Affordable Health Choices Act.

***Myth:*** *The House Democrats' health insurance reform bill will harm small businesses – undermining their ability to create new jobs.*

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**Fact:** Far from undermining small businesses, the bill would significantly cut the costs of health care coverage for small businesses – thereby reducing the cost of doing business for many small business owners and allowing them to help their employees while saving and creating jobs. As the [New York Times has pointed out](#), “The small business community would be one of the biggest winners from health care reform.”

Reform dramatically reduces small business health costs. The Small Business Majority recently released a report that showed that without reform, small businesses will pay nearly \$2.4 trillion in health care costs over the next 10 years. If health insurance reform is

enacted, the report found that small businesses could save as much as \$855 billion over 10 years, nearly 36 percent. This money can be reinvested in the business and jobs.

- Reform eliminates price and benefit discrimination against small businesses. A Commonwealth Fund study found the smallest firms pay an average of 18 percent more in health insurance premiums for the same benefits than larger firms. By creating a pool and offering assistance, the House health insurance reform bill will lower small business costs and increase options. As the *New York Times* states, “[Under the bill,] the smallest employers would gain quick access to new insurance exchanges – where plans would compete for their business with rates comparable to those enjoyed by large employers.”

- Reform exempts most small firms from the employer responsibility to cover workers; others are subject to lower rate. In recognition that providing health insurance is unaffordable for many small businesses, the bill exempts most small businesses from the employer responsibility requirement – exempting all firms with payrolls of \$500,000 and below. In addition, small businesses with payrolls between \$500,000 and \$750,000 would face a graduated fee if no health coverage is provided – rather than the 8 percent payroll fee that mid-sized and large firms not providing coverage would pay. Furthermore, many small firms already offer worker health coverage today – and will have better and more affordable options under the bill.

- Reform also provides a substantial tax credit for many small businesses to make providing worker health coverage more affordable. The bill creates a permanent tax credit for small businesses to help them offer coverage to their employees – which phases out as employers’ size and average wages increase. Specifically, the bill provides a tax credit of up to 50 percent of the costs of providing health insurance to their employees for small businesses with 25 or fewer employees and average wages of less than \$40,000.

- Reform will not result in a loss of small business jobs. An analysis by Professor Jonathan Gruber, a respected health economist at MIT, concluded that the minority of small businesses that are subject to the requirement to provide health coverage under the bill would see little impact on their employment and profits. Furthermore, most small businesses are exempt from the requirement under the bill and instead will receive much help if they choose to

offer such coverage.

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***Myth:*** *The House Democrats' health insurance reform bill will impose large tax hikes on America's small businesses, taking a big chunk out of their hard-earned income.*

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**Fact:** Under the bill, 96 percent of small business owners would pay NO increased taxes.□ While the 4.1 percent wealthiest small business owners would pay a graduated “health care surcharge” on part of their income, the bill helps ALL small business owners with lower health care costs.□

- Only 4.1 percent of all small business owners would pay the surcharge, using the broadest definition of a small business owner. Under the bill, the wealthiest 1.2 percent of Americans would pay a graduated surcharge on income over certain levels, to help make health insurance affordable for the middle class and small businesses. For small business owners, the surcharge is only on net profits (what you take out of the business) – receipts minus expenditures (payroll, capital expenses, etc.) – above \$280,000 (for single filers) and \$350,000 (for married filers). The nonpartisan Joint Committee on Taxation estimates that only 4.1 percent of small business owners would net that much and therefore pay the surcharge, using the broadest definition of a small business owner (i.e., any individual with as little as \$1 in small business income).

- Half of the “small business owners” paying the surcharge earn less than one-third of their income from small businesses – not what we think of as truly “small business owners.”

- Only 1.1 percent of “small business owners” would pay the top rate – among them, hedge fund managers, private equity fund managers, lawyers, and lobbyists making millions of

dollars a year.

The facts are why employers of all sizes are supporting the America's Affordable Health Choices Act. The Main Street Alliance, a small business group, supports the bill because it "will help make America's small business more competitive by giving them greater control over one of the most costly and unpredictable aspects of doing business: the spiraling costs of providing quality health coverage

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